## INTERNAL REVENUE SERVICE

May 22, 2000

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Dear		
This letter responds to your inqui	iry dated April 17, 2000, to	National
	nternal Revenue Service (IRS), on behalf of you	ır
constituent, Included in her purchase price of	uses kerosene to heat her home. f kerosene is an amount representing 24.4 cen	ts
federal excise tax per gallon.	may be entitled to a refund or a credit	for this
	kerosene to heat her home, which is a nontax	able
use. Our responses to	four questions about this excise tax follow.	
1 Can Langly for a refund or	nly with my tay rature?	

Can I apply for a refund only with my tax return?

You can file a claim for refund on Form 8849, Claim for Refund of Excise Taxes, for any quarter of your tax year if you can claim \$750 or more. If you cannot claim a refund for at least \$750 by the end of the fourth quarter of your tax year, you may claim a credit on your income tax return.

2. If I use the short form and do not itemize, can I still apply for a refund of the tax paid?

You can claim a credit for the tax you paid by filing Form 1040, U.S. Individual Income Tax Return, and attaching Form 4136, Credit for Federal Tax Paid on Fuels. You may not claim this credit on Form 1040EZ, Income Tax Return for Single and Joint Filers With No Dependents, or Form 1040A, Individual Income Tax Return.

3. Do I have to wait until next year to get a refund of the tax I paid in the year 2000?

Yes, you must wait to claim a credit until you file your Form 1040, unless you can claim a refund of \$750 or more for any quarter of your tax year. However, you have the option of adjusting any withholding or estimated tax payments to reflect the credit to which you may be entitled.

4. What is the explanation for this new law?

Section 4081 of the Internal Revenue Code imposes a tax on certain removals, entries, and sales of taxable fuel. Before July 1, 1998, taxable fuel was defined as gasoline and diesel fuel. Under prior law, kerosene was not subject to tax unless it was blended with diesel fuel for highway use or sold for use as aviation fuel. The IRS found significant evidence of an increase in the use of untaxed kerosene blended with diesel fuel for highway vehicles. In response to this finding, the Congress, in § 1032 of the Taxpayer Relief Act of 1997, expanded the definition of taxable fuel to include kerosene. Effective July 1, 1998, a federal excise tax of 24.4 cents per gallon is imposed on the removal of kerosene from a terminal rack unless an exemption applies.

may be interested to know that untaxed dyed kerosene may be available from a local supplier.

I hope this information is helpful to you in responding to your constituent. If you have any questions, please contact

Sincerely,

Assistant Chief Counsel Passthroughs and Special Industries)

By:

Richard A. Kocak Chief, Branch 8